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PUBLIC SERVICE COMMISSION

February 18, 2021

Chair Dereck E. Davis
House Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401

RE: HB 890 – INFORMATION – Natural Gas – Strategic Infrastructure Development and Enhancement – Surcharge and Plans

Dear Chair Davis and Committee Members:

I have reviewed House Bill 890 and provide the information below for the Committee's consideration.

In 2013, the General Assembly passed House Bill 89/Senate Bill 8 allowing for gas companies to recover costs for certain infrastructure replacement projects through a surcharge on customer bills. Subsequently, three gas companies filed plans with the Public Service Commission ("Commission") for approval, Baltimore Gas and Electric Company ("BGE"), Washington Gas Light Company ("WGL"), and Columbia Gas of Maryland ("Columbia Gas"). Since the passage of this legislation, the Commission has approved two five year plans for each utility of which the second is currently ongoing.

In 2020, BGE filed the first Multi-Year Rate Plan ("MRP") as the pilot utility under the Commission's Alternative Forms of Ratemaking proceeding. In its MRP, BGE proposed two alternative methods for cost recovery of Strategic Infrastructure Development and Enhancement ("STRIDE") projects. The first method placed all STRIDE investments through December 31, 2020, into base rates and set the surcharge to zero. The surcharge could be adjusted through the remainder of the MRP until it hit the statutory caps and could be reset again at the end of the MRP in 2024. The second method also moved all STRIDE investments through the end of 2020 into base rates and set the STRIDE surcharge to zero; however, the surcharge would remain at zero for the duration of the MRP and all STRIDE investments would be included in rate base. In Order No. 89678, the Commission approved BGE's proposal to place into base rates all STRIDE investments through the end of 2020 and set the STRIDE surcharge to zero at the beginning of its MRP. The Commission did not approve BGE's proposal to keep the surcharge at zero for the duration of the MRP and move all investments for the MRP period into base rates.

In its decision, the Commission contemplated whether the intent of the STRIDE law was for the STRIDE surcharge to be a form of alternative ratemaking since historical test years were still the basis of most rate cases at the time the legislation was passed. Ultimately, the

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Commission found that approving an alternative cost recovery for STRIDE investments would likely be contrary to the intent of the transparency and fixed customer caps of the STRIDE surcharge. The Commission also believed that STRIDE investments could only be moved into rate base during a full base rate case in accordance with the law.¹ The Commission reasoned the General Assembly was the best solution to this issue and stated, “To the extent that Maryland’s utilities believe the \$2 limit is no longer appropriate, the General Assembly—and not the Commission—is the proper forum in which to make that case.”² Further, the Commission believed its decision gave BGE time to make that request of the General Assembly and stated, “At a minimum, BGE will have time to make its case to the General Assembly that the cap should be raised before its MRP ends, should it choose to do so.”³

Thank you for the opportunity to provide informational testimony regarding HB 890. Please contact my Director of Legislative Affairs, Lisa Smith, at 410-336-6288 if you have any questions.

Sincerely,



Jason M. Stanek
Chairman

¹ Order 89679, Paragraph 57, p. 27.

² Order 89679, Paragraph 62, p. 29.

³ Order 89678, Paragraph 64, p. 30.